PVR

September 20, 2022

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Company Code: PVR / 532689

Sub: Disclosure for Credit Rating under Regulation 30 of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015

Dear Sir,

In compliance with Regulation 30 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, please note that CRISIL has upgraded its rating on the NCD and long-term bank facilities of PVR Limited to AA-/ Watch Positive from A+/ Watch Positive.

Please find enclosed the letter issued by CRISIL Limited, the Credit Rating Agency.

This is for your information and records.

Thanking You.

Yours faithfully,
For **PVR Limited**

PVR LIMITED
PVR

Mukesh Kumar
SVP - Company Secretary
& Compliance Officer

Rating Rationale

September 19, 2022 | Mumbai

PVR Limited

Rating upgraded to 'CRISIL AA-/CRISIL PPMLD AA-r'; Continues on 'Watch Positive'

Rating Action

Total Bank Loan Facilities Rated	**Rs.1033.33 Crore**
Long Term Rating	**CRISIL AA-/Watch Positive (Upgraded from 'CRISIL A+'; Continues on 'Rating Watch with Positive Implications')**

Rs.250 Crore Long Term Principal Protected Market Linked Debentures	**CRISIL PPMLD AA- r /Watch Positive (Upgraded from 'CRISIL PPMLD A+r'; Continues on 'Rating Watch with Positive Implications')**
Rs.5 Crore Non Convertible Debentures	**CRISIL AA-/Watch Positive (Upgraded from 'CRISIL A+'; Continues on 'Rating Watch with Positive Implications')**
Rs.10 Crore Non Convertible Debentures	**CRISIL AA-/Watch Positive (Upgraded from 'CRISIL A+'; Continues on 'Rating Watch with Positive Implications')**
Rs.50 Crore Non Convertible Debentures	**CRISIL A+/Watch Positive (Withdrawn)**
Rs.50 Crore Non Convertible Debentures	**CRISIL A+/Watch Positive (Withdrawn)**
Rs.5 Crore Non Convertible Debentures	**CRISIL AA-/Watch Positive (Upgraded from 'CRISIL A+'; Continues on 'Rating Watch with Positive Implications')**
Rs.30 Crore Non Convertible Debentures	**CRISIL AA-/Watch Positive (Upgraded from 'CRISIL A+'; Continues on 'Rating Watch with Positive Implications')**

1 crore = 10 million
Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has upgraded its ratings on the long-term bank facilities and debt instruments of PVR Limited (PVR) to **'CRISIL AA-/CRISIL PPMLD AA-r'** while the rating continues to be on **'Rating Watch with Positive Implications'**. Furthermore, the rating on the Rs 100 crore non-convertible debentures (NCDs) has been withdrawn as the instruments have been fully repaid. CRISIL Ratings has received confirmation of no dues pending against these NCDs. The withdrawal is in line with CRISIL Ratings' policy on withdrawal of NCDs.

The rating action follows the strong operating performance reported by the company during Q1FY23 and visibility of continued healthy operating performance in 2HFY23 (after a temporary blip seen over past 2 months because of weaker content and social media protests around some content). Strong content pipeline and festive season should support the healthy operating performance. This along with screen additions and sustained higher average ticket prices (ATP), spend per head (SPH) on food & beverages and recovery in advertising income should aid in revenue and operating profits surpassing pre-pandemic levels for the company during fiscal 2023. As a result, financial risk profile too is expected to see continued improvement, aided by strong cash accruals and maintenance of healthy liquidity.

The watch continuation factors in pending approvals for proposed merger of PVR and INOX Leisure Ltd. CRISIL Ratings believes that amalgamation of these entities would help the merged entity to lead the multiplex sector with a significant scale and market share. Moreover, expected revenue and cost synergies post-merger should benefit operating efficiencies in both operational as well as capital expenditure. As a result, the business as well as financial risk profiles of the merged entity is expected to improve significantly. CRISIL Ratings will continue to closely monitor the said transaction and will remove the ratings from watch and take a final rating action once the transaction is concluded.

The company's liquidity benefitted significantly from the various equity raises undertaken over the past two years. Cash and bank balance and other liquid investments stood at above Rs 570 crore as on August 31, 2022. Healthy cash accruals along with strong liquidity position should sufficiently cover debt obligation and capital expenditure (capex) in fiscal 2023. Sustained improvement in revenue and operating margin, along with maintenance of healthy liquidity, will continue to be monitored.

The ratings continue to consider strong market position and established brand of PVR, improving operating efficiency, and healthy financial risk profile and liquidity. These strengths are partially offset by exposure to risks inherent in the film exhibition business.

Analytical Approach

CRISIL Ratings has combined the business and financial risk profiles of PVR; its subsidiaries, PVR Pictures Ltd, PVR Lanka Ltd, Zea Maize Pvt Ltd and the joint venture (JV), Vkaao Entertainment Pvt Ltd. The entities, collectively referred to herein as

PVR, are in the same business and have common promoters.

Please refer Annexure - List of entities consolidated, which captures the list of entities considered and their analytical treatment of consolidation

Key Rating Drivers & Detailed Description

Strengths:

- **Strong market position and established brand:** PVR is the largest multiplex operator in India, with strong brand equity. It had ~858 screens with operations in 174 locations across 76 cities as on August 31, 2022. PVR added ~246 screens through inorganic acquisitions since 2012 till date. Addition of screens from SPI Cinemas Pvt Ltd in August 2018 significantly improved the market position in south India and helped diversify content, as cinema from the region typically contributes over 35% to the overall box office collection. In fact, after the proposed merger with INOX, market position of the merged entity may improve significantly as it would be operating more than 1550 screens.

- **Healthy operating efficiency:** After reporting operating losses in fiscal 2021 and fiscal 2022, PVR reported operating profit (ex-Ind AS-116 adjustment) of Rs 188 crore in the first quarter of fiscal 2023 (operating margins of 19.1%). This is healthy when compared to operating margin of 17.6% in fiscal 2020 and 19.0% in fiscals 2019.

  Moreover, key operating parameters such as ATP and spends per head SPH on food & beverages stood higher at Rs 250 and Rs 134 respectively, during the first quarter of fiscal 2023 as compared to Rs 204 and Rs 99 respectively, in fiscal 2020. Although the operating profits may be constrained during the second quarter of this fiscal due to weak content performance, however it is expected to be better than pre-pandemic levels for fiscal 2023 given the upcoming festive season, strong content pipeline and increase in overall operating screen portfolio. Sustenance of healthy operating performance during the rest of the year will remain a key monitorable.

  Moreover, post-merger, expected synergies should also benefit operating efficiency of the merged entity.

- **Healthy financial risk profile:** Given a strong rebound in operating performance, the cash accruals should support the financial risk profile of the company. Debt is estimated to be around Rs 1350-1400 crore by end of fiscal 2023 with an operating profit estimate of Rs 600-650 crore. Therefore, the debt protection metrics are expected to remain healthy with interest cover of more than 4 times for the fiscal.

  Moreover, company has a strong ability to raise funds from capital markets as was exhibited through Rs 1,100 crore of equity raised during fiscal 2021 and 2022 when the operations were impacted by the pandemic.

Weakness:

- **Exposure to risks inherent in the film exhibition business:** Fluctuations in profitability, inherent in the film exhibition business, will continue to affect operations, though the impact should be cushioned marginally by the large scale of operations and diversified revenue. Multiplex players, given their high fixed costs, should remain dependent on occupancy, which is driven by the success of films. Other forms of entertainment and new content distribution platforms, including over-the-top, will continue to expose the company to challenges of sustaining profitability and growth.

Liquidity: Strong

Liquidity was more than Rs 570 crore as on June 30, 2022. Company also had Rs 150 crore of bank limits unutilized at June 2022. Moreover, cash accruals are expected to remain healthy at over Rs 550 crore for fiscal 2023. This should remain sufficient to service debt repayment obligation of Rs 385 crore during the balance part of the fiscal. Capex plans, estimated at Rs 400-450 crore for fiscal 2023 should be prudently funded through a mix of debt and internal accruals.

Rating Sensitivity factors

Upward factors

- Successful completion of the proposed merger with INOX Leisure.
- Significant improvement in operating profits leading to net debt to earnings before interest, taxes, depreciation, and amortisation (EBITDA) ratio sustaining below 1.0 times
- Steady recovery in revenue resulting in strong rebound in EBITDA margin

Downward factors

- Weakening of the capital structure, with net debt to EBITDA ratio sustaining above 2.0 times
- Sustained impact on revenues as well as profitability due to other forms of entertainment and new content distribution platforms, including over-the-top

About the Company

PVR was established in 1995 as a 60:40 JV between Priya Exhibitors Pvt Ltd and Village Roadshow Ltd (VRL), a world leader in the multiplex business. In 1995, PVR took a single-screen cinema hall, Anupam, in Saket, Delhi, on lease and converted it into a four-screen multiplex. The hall started operations in 1997 as PVR Anupam and was the first multiscreen cineplex in India. As part of its global business strategy, VRL exited the JV in 2002.

In November 2012, PVR acquired Cinemax, strengthening its presence in west India. Cinemax operated in 39 locations with 138 screens. This acquisition made PVR the largest multiplex operator in India. In May 2016, it completed the acquisition of DT Cinemas' 32 screens (29 operational and three upcoming) for a consideration of Rs 433 crore. In January 2017, Warburg Pincus Llc acquired a 14% stake in the company, with 9% from its current shareholders (Multiples Private Equity Fund I Ltd) and 5% from the promoters. Thereafter, in August 2018, PVR acquired SPI Cinemas, which further added 76 screens to the company’s portfolio.

Net profit was Rs 53 crore on operating revenue of Rs 981 crore for the three months ended June 30, 2022, as compared to net loss of Rs 220 crore on operating revenue of Rs 59 crore in the corresponding period of the previous fiscal.

Key Financial Indicators

As on/for the period ended March 31	Unit	2022	2021
Operating revenue	Rs crore	1331	274
Profit after tax (PAT)	Rs crore	-489	-762
PAT margin	%	-36.7	-277.9
Adjusted debt/adjusted networth	Times	1.24	0.82
Interest coverage	Times	NM	NM
NM: Not Meaningful			

Any other information: Not applicable

Note on complexity levels of the rated instrument:
CRISIL Ratings' complexity levels are assigned to various types of financial instruments. The CRISIL Ratings' complexity levels are available on www.crisil.com/complexity-levels. Users are advised to refer to the CRISIL Ratings' complexity levels for instruments that they consider for investment. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity level	Rating assigned with outlook
NA	Non Convertible Debentures*	NA	NA	NA	50	Simple	CRISIL AA-/Watch Positive
NA	Long-term principal protected market-linked debentures*	NA	NA	NA	250	Highly complex	CRISIL PPMLD AA-r/Watch Positive
NA	Term Loan	NA	NA	Jun-27	317.2	NA	CRISIL AA-/Watch Positive
NA	Term Loan	NA	NA	Oct-27	246.42	NA	CRISIL AA-/Watch Positive
NA	Term Loan	NA	NA	Jun-27	186.75	NA	CRISIL AA-/Watch Positive
NA	Term Loan	NA	NA	Oct-27	150	NA	CRISIL AA-/Watch Positive
NA	Term Loan	NA	NA	Dec-25	56.65	NA	CRISIL AA-/Watch Positive
NA	Term Loan	NA	NA	Jun-26	52.79	NA	CRISIL AA-/Watch Positive
NA	Overdraft Facility	NA	NA	NA	9.00	NA	CRISIL AA-/Watch Positive
NA	Overdraft Facility	NA	NA	NA	5.00	NA	CRISIL AA-/Watch Positive
NA	Proposed Long Term Bank Loan Facility	NA	NA	NA	9.52	NA	CRISIL AA-/Watch Positive

**Not yet issued*

Annexure - Details of Rating Withdrawn

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Crore)	Complexity level
INE191H07268	Debentures	03-Apr-17	8.15%	02-Apr-22	50	Simple
INE191H07276	Debentures	18-Aug-17	7.85%	18-Aug-22	50	Simple

Annexure - List of Entities Consolidated

Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation
PVR Pictures Ltd	Full consolidation	Subsidiaries
P V R Lanka Ltd	Full consolidation	Subsidiaries
Zea Maize Pvt Ltd	Full consolidation	Subsidiaries
Vkaao Entertainment Pvt Ltd	Equity method	JV

Annexure - Rating History for last 3 Years

	Current			2022 (History)		2021		2020		2019		Start of 2019
Instrument	**Type**	**Outstanding Amount**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Rating**
Fund Based Facilities	LT	1033.33	CRISIL AA-/Watch Positive	01-04-22	CRISIL A+/Watch Positive	23-09-21	CRISIL A+/Negative / CRISIL A1	07-12-20	CRISIL AA/Negative / CRISIL A1+	08-01-19	CRISIL AA-/Stable	CRISIL AA-/Stable
			--	23-03-22	CRISIL A+/Stable	16-04-21	CRISIL AA-/Negative / CRISIL A1+	06-10-20	CRISIL AA/Negative		--	--
			--		--		--	14-09-20	CRISIL AA/Watch Negative		--	--

			--		--		--	23-03-20	CRISIL AA/Watch Negative		--	--
			--		--		--	31-01-20	CRISIL AA/Stable		--	--
Non Convertible Debentures	LT	50.0	CRISIL AA-/Watch Positive	01-04-22	CRISIL A+/Watch Positive	23-09-21	CRISIL A+/Negative	07-12-20	CRISIL AA/Negative	08-01-19	CRISIL AA-/Stable	CRISIL AA-/Stable
			--	23-03-22	CRISIL A+/Stable	16-04-21	CRISIL AA-/Negative	06-10-20	CRISIL AA/Negative		--	--
			--		--		--	14-09-20	CRISIL AA/Watch Negative		--	--
			--		--		--	23-03-20	CRISIL AA/Watch Negative		--	--
			--		--		--	31-01-20	CRISIL AA/Stable		--	--
Long Term Principal Protected Market Linked Debentures	LT	250.0	CRISIL PPMLD AA- r /Watch Positive	01-04-22	CRISIL PPMLD A+ r /Watch Positive	23-09-21	CRISIL PPMLD A+ r /Negative	07-12-20	CRISIL PPMLD AA r /Negative		--	--
			--	23-03-22	CRISIL PPMLD A+ r /Stable	16-04-21	CRISIL PPMLD AA- r /Negative	06-10-20	CRISIL PPMLD AA r /Negative		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Rating
Overdraft Facility	9	CRISIL AA-/Watch Positive
Overdraft Facility	5	CRISIL AA-/Watch Positive
Proposed Long Term Bank Loan Facility	9.52	CRISIL AA-/Watch Positive
Term Loan	317.2	CRISIL AA-/Watch Positive
Term Loan	246.42	CRISIL AA-/Watch Positive
Term Loan	186.75	CRISIL AA-/Watch Positive
Term Loan	52.79	CRISIL AA-/Watch Positive
Term Loan	56.65	CRISIL AA-/Watch Positive
Term Loan	150	CRISIL AA-/Watch Positive

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
Rating criteria for manufaturing and service sector companies
CRISILs Bank Loan Ratings - process, scale and default recognition
CRISILs Criteria for Consolidation

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Note for Media:

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